

**TOWN OF MANILA**  
Daggett County, Utah

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2006

Town of Manila  
**TABLE OF CONTENTS**  
June 30, 2006

	Beginning on <u>Page</u>
INDEPENDENT ACCOUNTANT'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Assets - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Notes to the Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	43
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	43

Continued on next page

Town of Manila  
**TABLE OF CONTENTS (continued)**  
June 30, 2006

	Beginning on <u>Page</u>
Continued from previous page	
SUPPLEMENTAL INFORMATION	45
OTHER REPORTS	
Report on Compliance and on Internal Control over Financial Reporting	51
Report on Compliance with State Fiscal Laws	52
Findings and Recommendations	53



**AYCOCK, MILES & ASSOCIATES, CPAs, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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and  
UTAH ASSOCIATION  
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### **Independent Auditors' Report**

Town of Manila  
Manila, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Manila as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Manila's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, aggregate remaining fund information, and budgetary comparison information of the Town of Manila as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2007 on our consideration of the Town of Manila's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, see table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Manila's basic financial statements. The supplementary information, see page 45, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

**Aycock, Miles & Associates**

January 9, 2007

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Town of Manila  
Management's Discussion and Analysis  
June 30, 2006

As management of Town of Manila (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2006.

**FINANCIAL HIGHLIGHTS**

- \*Total net assets for the Town as a whole increased by \$756,512.
- \*Total unrestricted net assets for the Town as a whole decreased by \$188,487.
- \*Total net assets for governmental activities increased by \$24,238.
- \*Total net assets for business-type activities increased by \$732,274.

**BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Town of Manila. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the Town available to cover any remaining costs of the functions or programs.

Town of Manila  
**Management's Discussion and Analysis**  
June 30, 2006

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town's general fund is its only major governmental fund. The capital projects fund is reported as non-major.

The Town adopts an annual appropriated budget for its general and capital project funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

**Proprietary funds.** The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses three enterprise funds to account for the operations of the water, sewer, and landfill utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the Town.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town.



Town of Manila  
Management's Discussion and Analysis  
June 30, 2006

**FINANCIAL ANALYSIS**

**Town of Manila's Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Previous Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
Current and other assets	\$175,765	165,071	633,712	1,448,395	809,477	1,613,466
Capital assets	<u>298,207</u>	<u>292,241</u>	<u>7,788,129</u>	<u>6,127,819</u>	<u>8,086,336</u>	<u>6,420,061</u>
<b>Total assets</b>	<b><u>\$473,973</u></b>	<b><u>457,312</u></b>	<b><u>8,421,841</u></b>	<b><u>7,576,214</u></b>	<b><u>8,895,813</u></b>	<b><u>8,033,526</u></b>
Long-term liabilities	-	-	3,290,163	3,348,865	3,290,163	3,348,865
Other liabilities	<u>\$38,770</u>	<u>46,347</u>	<u>298,243</u>	<u>126,189</u>	<u>337,012</u>	<u>172,536</u>
<b>Total liabilities</b>	<b><u>\$38,770</u></b>	<b><u>46,347</u></b>	<b><u>3,588,405</u></b>	<b><u>3,475,053</u></b>	<b><u>3,627,175</u></b>	<b><u>3,521,401</u></b>
Net assets:						
Invested in capital assets, net of debt	\$298,207	292,241	4,516,882	2,796,415	4,815,089	3,088,656
Restricted	-	-	523,662	1,305,095	523,662	1,305,095
Unrestricted	<u>136,995</u>	<u>118,724</u>	<u>(207,108)</u>	<u>(349)</u>	<u>(70,113)</u>	<u>118,374</u>
<b>Total net assets</b>	<b><u>\$435,203</u></b>	<b><u>410,965</u></b>	<b><u>4,833,435</u></b>	<b><u>4,101,161</u></b>	<b><u>5,268,638</u></b>	<b><u>4,512,126</u></b>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$5,268,638, an increase of \$756,512 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are a negative \$70,113, which represents a decrease of \$188,487 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other assets due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Town of Manila  
Management's Discussion and Analysis  
June 30, 2006

**FINANCIAL ANALYSIS (continued)**

**Town of Manila's Changes in Net Assets:**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>
<b>Program revenues:</b>						
Charges for services	\$ 17,237	15,766	582,385	292,086	599,622	307,851
Operating grants	63,469	45,189			63,469	45,189
Capital grants	-	-	708,275	1,201,409	708,275	1,201,409
<b>General revenues:</b>						
Property taxes	32,951	32,484	-	-	32,951	32,484
Sales taxes	42,447	39,360	-	-	42,447	39,360
Franchise taxes	640	2,414	-	-	640	2,414
Other revenues	<u>3,971</u>	<u>3,069</u>	<u>33,234</u>	<u>4,883</u>	<u>37,206</u>	<u>7,952</u>
<b>Total revenues</b>	<b><u>160,715</u></b>	<b><u>138,282</u></b>	<b><u>1,323,894</u></b>	<b><u>1,498,377</u></b>	<b><u>1,484,610</u></b>	<b><u>1,636,659</u></b>
<b>Expenses:</b>						
Administration	163,228	138,275	-	-	163,228	138,275
Public safety	24,199	24,562	-	-	24,199	24,562
Streets and highways	8,560	8,179	-	-	8,560	8,179
Seniors	40,491	41,809	-	-	40,491	41,809
Water	-	-	348,900	253,173	348,900	253,173
Sewer	-	-	76,601	59,022	76,601	59,022
Landfill	-	-	<u>66,119</u>	<u>48,435</u>	<u>66,119</u>	<u>48,435</u>
<b>Total expenses</b>	<b><u>236,478</u></b>	<b><u>212,825</u></b>	<b><u>491,620</u></b>	<b><u>360,629</u></b>	<b><u>728,098</u></b>	<b><u>573,454</u></b>
<b>Excess (deficiency) before transfers</b>	<b>(75,762)</b>	<b>(74,544)</b>	<b>832,274</b>	<b>1,137,748</b>	<b>756,512</b>	<b>1,063,204</b>
Transfers	<u>100,000</u>	<u>66,750</u>	<u>(100,000)</u>	<u>(66,750)</u>	-	-
<b>Increase (decrease) in net assets</b>	<b>\$ <u>24,238</u></b>	<b><u>(7,794)</u></b>	<b><u>732,274</u></b>	<b><u>1,070,998</u></b>	<b><u>756,512</u></b>	<b><u>1,063,204</u></b>

Total revenues decreased by \$152,049, while total expenses increased by \$154,643. The total net increase for the year of \$756,512 is a decrease from the previous year of \$306,692.

Governmental activities revenues of \$160,715 represent an increase of \$22,434 from the previous year, primarily a result of increases in operating grants. Governmental activities expenses of \$236,478 have increased by \$23,653 from the previous year as a result of increased administrative costs.

Business-type activities revenue of \$1,323,894 decreased by \$174,483 from the previous year as the amount of capital grants decreased. Business-type activities expenses of \$491,620 represent an increase of \$130,991 from the previous year. The water system operating expenses increased as a result of the addition of the Daggett County at the first of the year. The sewer and landfill operations experienced increased labor and maintenance expenses.

Town of Manila  
**Management's Discussion and Analysis**  
June 30, 2006

**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts is described below:

*General Fund*

The fund balance in the general fund of \$122,590 reflects an increase of \$18,272 from the previous year. Total revenues increased by \$22,434. Tax revenues, including property taxes and sales taxes increased by only \$1,780. Intergovernmental revenues increased by \$18,280. All other revenues, excluding transfers, increased by \$2,374.

Total expenditures increased by \$11,328. Expenditure changes, by department, excluding capital outlay: administrative increased by \$25,113, public safety (fire and building inspection) increased by \$433, seniors decreased \$1,319, and streets and highways decreased by \$522. Total expenditures for capital outlay for all departments decreased by \$12,377.

Transfers into the fund of \$100,000 from the utility funds, primarily water and sewer, increased by \$33,250 over the previous year.

There are no reserves or restrictions of the general fund resources at the end of the current year.

*Proprietary Funds*

**Water Fund**

The net increase in net assets before contributions and transfers was \$19,831. Total expenses increased by \$95,727 from the previous year, largely related to the increase in water services from the addition of the Daggett County Water District at the first of this fiscal year. Grant revenues totaling \$102,230 were received during the year (\$74,000 CIB grant and \$28,230 impact fees), resulting in a net change in net assets of \$72,061. Net assets restricted for bond payments and construction amount to \$364,215. There is a deficit in the amount of unrestricted net assets in the amount of \$238,854 which is the difference between total net assets and the amount invested in capital assets net of related debt and amounts reserved for construction and bond retirement.

**Sewer Fund**

The net increase in net assets before contributions and transfers was \$115,137. Grant revenues totaling \$606,045 were received during the year (\$600,000 grant and \$6,045 impact fees), resulting in a net change in net assets of \$671,182.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$181,120. This amount was changed in the final budget to \$185,230.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$294,845. This amount was amended in the final budget to \$291,955.

Net transfers for the year were originally budgeted in the amount of \$100,000. The final net transfer budget was \$100,000.

Town of Manila  
Management's Discussion and Analysis  
June 30, 2006

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Town of Manila's Capital Assets (net of depreciation):**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Prior Year</u>
<b>Net Capital Assets:</b>						
Land and water rights	\$ 2,005	2,005	99,915	95,527	101,920	97,532
Buildings	112,817	118,995	-	-	112,817	118,995
Improvements other than buildings	2,947	3,173	-	-	2,947	3,173
Equipment	23,158	29,164	170,916	25,874	194,075	55,037
Infrastructure	157,280	138,905	-	-	157,280	138,905
Water system	-	-	5,834,399	5,057,708	5,834,399	5,057,708
Sewer system	-	-	1,682,899	834,814	1,682,899	834,814
Work in progress	-	-	-	113,897	-	113,897
<b>Totals</b>	<b><u>\$298,207</u></b>	<b><u>292,241</u></b>	<b><u>7,788,129</u></b>	<b><u>6,127,819</u></b>	<b><u>8,086,336</u></b>	<b><u>6,420,061</u></b>

The total amount of capital assets, net of depreciation, of \$8,086,336 is an increase of \$1,666,275 from the previous year.

Governmental activities capital assets, net of depreciation, of \$298,207 has increased by \$5,966 from the previous year.

Business-type activities capital assets, net of depreciation, of \$7,788,129 has increased by \$1,660,309 from the previous year. Additional water distribution plant as well as additional sewer collection plant has been added during the year, as well as a bulldozer.

Additional information regarding capital assets may be found in the notes to financial statements.

Town of Manila  
Management's Discussion and Analysis  
June 30, 2006

**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Town of Manila's Outstanding Debt - Revenue Bonds**

	Current <u>Year</u>	Previous <u>Year</u>
Business-type activities:		
Water fund:		
Water subordinate 1970	\$ 744	1,544
Water refunding 1970	24,000	30,000
CIB Water 1991C	401,000	438,000
CIB Water 2003A	226,000	233,000
CIB Water 2003B	222,000	231,000
CIB Water 2005	1,233,000	1,275,000
CIB Water 2006	74,000	-
USDA RDA 2001 91-06	284,013	287,350
USDA RDA 2001 91-08	216,525	218,880
USDA RDA 2003 03-11	<u>155,965</u>	<u>157,630</u>
Total water fund	<u>2,837,247</u>	<u>2,872,405</u>
Sewer fund:		
Sewer 1989	109,000	134,000
Sewer 2005	<u>325,000</u>	<u>325,000</u>
Total sewer fund	<u>434,000</u>	<u>459,000</u>
<b>Total long-term debt</b>	<b><u>\$3,271,247</u></b>	<b><u>3,331,405</u></b>

Water bonds were issued during the year for \$74,000 to help finance the acquisition of a bulldozer.

Additional information regarding the long-term liabilities may be found in the notes the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Tax rates are expected to remain the same and no significant economic changes that would affect the Town are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Manila's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Manila Town Clerk, (435) 784-3143.

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**BASIC FINANCIAL STATEMENTS**

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Town of Manila  
**STATEMENT OF NET ASSETS**  
June 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$122,049	9,196	131,245
Accounts receivable, net	49,183	51,971	101,154
Other assets	<u>4,533</u>	<u>8,443</u>	<u>12,976</u>
Total current assets	<u>175,765</u>	<u>69,610</u>	<u>245,375</u>
<b>Non-current assets:</b>			
Restricted cash and cash equivalents	-	538,826	538,826
Receivables due after one year	-	25,276	25,276
<b>Capital assets:</b>			
Not being depreciated	2,005	99,915	101,920
Net of accumulated depreciation	<u>296,202</u>	<u>7,688,214</u>	<u>7,984,417</u>
Total non-current assets	<u>298,207</u>	<u>8,352,231</u>	<u>8,650,438</u>
<b>Total assets</b>	<b><u>\$473,973</u></b>	<b><u>8,421,841</u></b>	<b><u>8,895,813</u></b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 12,570	292,937	305,507
Customer security deposits	-	400	400
Accrued interest payable	-	4,905	4,905
Deferred revenues	26,200	-	26,200
Revenue bonds due within one year	<u>-</u>	<u>150,436</u>	<u>150,436</u>
Total current liabilities	<u>38,770</u>	<u>448,679</u>	<u>487,448</u>
<b>Non-current liabilities:</b>			
Revenue bonds due after one year	-	3,120,811	3,120,811
Accrued landfill closure	<u>-</u>	<u>18,916</u>	<u>18,916</u>
Total non-current liabilities	<u>-</u>	<u>3,139,727</u>	<u>3,139,727</u>
<b>Total liabilities</b>	<b><u>38,770</u></b>	<b><u>3,588,405</u></b>	<b><u>3,627,175</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt:			
Restricted	298,207	4,516,882	4,815,089
Unrestricted	-	523,662	523,662
Total net assets	<u>136,995</u>	<u>(207,108)</u>	<u>(70,113)</u>
<b>Total net assets</b>	<b><u>435,203</u></b>	<b><u>4,833,435</u></b>	<b><u>5,268,638</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$473,973</u></b>	<b><u>8,421,841</u></b>	<b><u>8,895,813</u></b>

The notes to the financial statements are an integral part of this statement.

Town of Manila  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2006

	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
<b><u>FUNCTIONS/PROGRAMS:</u></b>					
<b>Primary government:</b>					
Governmental activities:					
Administration	\$163,228	9,831	-	-	(153,397)
Public safety	24,199	-	21,330	-	(2,869)
Streets and highways	8,560	-	18,127	-	9,567
Seniors	<u>40,491</u>	<u>7,406</u>	<u>24,012</u>	-	<u>(9,073)</u>
<b>Total governmental activities</b>	<b><u>236,478</u></b>	<b><u>17,237</u></b>	<b><u>63,469</u></b>	<b>-</b>	<b><u>(155,772)</u></b>
Business-type activities:					
Water	348,900	351,182	-	98,230	100,512
Sewer	76,601	180,417	-	606,045	709,861
Landfill	<u>66,119</u>	<u>54,787</u>	-	-	<u>(11,332)</u>
<b>Total business-type activities</b>	<b><u>491,620</u></b>	<b><u>586,385</u></b>	<b>-</b>	<b><u>704,275</u></b>	<b><u>799,040</u></b>
<b>Total primary government</b>	<b><u>\$728,098</u></b>	<b><u>603,622</u></b>	<b><u>63,469</u></b>	<b><u>704,275</u></b>	<b><u>643,269</u></b>

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

Town of Manila  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>CHANGE IN NET ASSETS:</b>			
Net (expense) revenue (from previous page)	<u>\$(155,772)</u>	<u>799,040</u>	<u>643,269</u>
<b>General revenues:</b>			
Property taxes	26,921	-	26,921
Fee in lieu of property tax	6,030	-	6,030
Sales taxes	42,447	-	42,447
Other taxes	640	-	640
Unrestricted investment earnings	3,152	33,234	36,386
Miscellaneous	<u>820</u>	<u>-</u>	<u>820</u>
<b>Total general revenues</b>	<b><u>80,009</u></b>	<b><u>33,234</u></b>	<b><u>113,244</u></b>
Transfers	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
<b>Total general revenues and transfers</b>	<b><u>180,009</u></b>	<b><u>(66,766)</u></b>	<b><u>113,244</u></b>
<b>Change in net assets</b>	<b><u>24,238</u></b>	<b><u>732,274</u></b>	<b><u>756,512</u></b>
Net assets - beginning	<u>410,965</u>	<u>4,101,161</u>	<u>4,512,126</u>
<b>Net assets - ending</b>	<b><u>\$435,203</u></b>	<b><u>4,833,435</u></b>	<b><u>5,268,638</u></b>

The notes to the financial statements are an integral part of this statement.

Town of Manila  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$107,644	14,405	122,049
Receivables, net of allowances:			
Property taxes	28,653	-	28,653
Due from other governments	14,293	-	14,293
Other receivables	6,238	-	6,238
Other assets	4,533	-	4,533
<b>TOTAL ASSETS</b>	<b><u>161,360</u></b>	<b><u>14,405</u></b>	<b><u>175,765</u></b>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	12,570	-	12,570
Deferred revenues	26,200	-	26,200
<b>TOTAL LIABILITIES</b>	<b><u>38,770</u></b>	<b><u>-</u></b>	<b><u>38,770</u></b>
<b>FUND BALANCES:</b>			
Reserved for:			
Capital projects	-	14,405	14,405
Unreserved, reported in:			
General fund	122,590	-	122,590
<b>TOTAL FUND BALANCES</b>	<b><u>122,590</u></b>	<b><u>14,405</u></b>	<b><u>136,995</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$161,360</u></b>	<b><u>14,405</u></b>	<b><u>175,765</u></b>

The notes to the financial statements are an integral part of this statement.

Town of Manila  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property	\$32,951	-	32,951
Sales	42,447	-	42,447
Franchise fees	640	-	640
Licenses and permits	8,596	-	8,596
Intergovernmental revenues	63,469	-	63,469
Charges for services	8,641	-	8,641
Interest	3,152	-	3,152
Miscellaneous revenue	<u>820</u>	<u>-</u>	<u>820</u>
<b>Total revenues</b>	<b><u>160,715</u></b>	<b><u>-</u></b>	<b><u>160,715</u></b>
<b>EXPENDITURES:</b>			
Current:			
General government	157,543	-	157,543
Public safety	21,843	-	21,843
Highways and public improvements	1,827	-	1,827
Seniors	34,348	-	34,348
Capital outlay	<u>26,883</u>	<u>-</u>	<u>26,883</u>
<b>Total expenditures</b>	<b><u>242,444</u></b>	<b><u>-</u></b>	<b><u>242,444</u></b>
<b>Excess (Deficiency) of Revenues over (Under Expenditures)</b>	<b><u>(81,728)</u></b>	<b><u>-</u></b>	<b><u>(81,728)</u></b>
<b>Other Financing Sources and (Uses):</b>			
Transfers in	100,000	-	100,000
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources and (uses)</b>	<b><u>100,000</u></b>	<b><u>-</u></b>	<b><u>100,000</u></b>
<b>Net Change in Fund Balances</b>	<b>18,272</b>	<b>-</b>	<b>18,272</b>
Fund balances - beginning of year	<u>104,318</u>	<u>14,405</u>	<u>118,724</u>
<b>Fund Balances - end of year</b>	<b><u>\$122,590</u></b>	<b><u>14,405</u></b>	<b><u>136,995</u></b>

The notes to the financial statements are an integral part of this statement.

Town of Manila  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**  
June 30, 2006

<b>Total Fund Balances for Governmental Funds</b>	<b><u>\$136,995</u></b>
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Total net assets reported for governmental activities in the statement  
are different because:

Capital assets used in governmental funds are not financial resources and  
therefore are not reported in the funds.

Capital assets, at cost	597,949
Less accumulated depreciation	<u>(299,741)</u>
<b>Net capital assets</b>	<b><u>298,207</u></b>

<b>Total Net Assets of Governmental Activities</b>	<b><u>\$435,203</u></b>
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The notes to the financial statements are an integral part of this statement.

Town of Manila  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
June 30, 2006

**Net Change in Fund Balances - Total Governmental Funds** **\$18,272**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	26,883
Depreciation expense	<u>(20,917)</u>
Net	<u>5,966</u>

**Change in Net Assets of Governmental Activities** **\$24,238**

The notes to the financial statements are an integral part of this statement.

Town of Manila  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
June 30, 2006

	Water Fund	Sewer Fund	Landfill Fund	Total
<b>ASSETS:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ -	9,196	-	9,196
Accounts receivable	37,436	9,255	5,281	51,971
Due from other funds	-	64,444	-	64,444
Inventory	6,322	2,121	-	8,443
<b>Total current assets</b>	<u>43,758</u>	<u>85,016</u>	<u>5,281</u>	<u>134,054</u>
<b>Non-current assets:</b>				
Restricted cash and cash equivalents	364,615	159,447	14,764	538,826
Receivables due after one year	25,276	-	-	25,276
<b>Capital assets:</b>				
Not being depreciated	10,388	89,527	-	99,915
Being depreciated, net of depreciation	5,994,573	1,685,933	7,709	7,688,214
<b>Total non-current assets</b>	<u>6,394,851</u>	<u>1,934,906</u>	<u>22,473</u>	<u>8,352,231</u>
<b>Total assets</b>	<u><b>\$6,438,609</b></u>	<u><b>2,019,922</b></u>	<u><b>27,754</b></u>	<u><b>8,486,285</b></u>
<b>LIABILITIES:</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 243,008	49,551	379	292,937
Due to other funds	59,974	-	4,470	64,444
Accrued interest payable	4,905	-	-	4,905
Customer security deposits	400	-	-	400
Revenue bonds, current portion	114,436	36,000	-	150,436
<b>Total current liabilities</b>	<u>422,723</u>	<u>85,551</u>	<u>4,849</u>	<u>513,123</u>
<b>Non-current liabilities:</b>				
Revenue bonds, long-term	2,722,811	398,000	-	3,120,811
Accrued landfill closure	-	-	18,916	18,916
<b>Total non-current liabilities</b>	<u>2,722,811</u>	<u>398,000</u>	<u>18,916</u>	<u>3,139,727</u>
<b>Total liabilities</b>	<u><b>3,145,534</b></u>	<u><b>483,551</b></u>	<u><b>23,765</b></u>	<u><b>3,652,850</b></u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	3,167,713	1,341,460	7,709	4,516,882
Restricted for:				
Construction	268,292	119,808	-	388,100
Bond retirement	95,923	39,639	-	135,562
Unrestricted	(238,854)	35,465	(3,720)	(207,108)
<b>Total net assets</b>	<u><b>3,293,075</b></u>	<u><b>1,536,372</b></u>	<u><b>3,989</b></u>	<u><b>4,833,435</b></u>
<b>Total liabilities and net assets</b>	<u><b>\$6,438,609</b></u>	<u><b>2,019,922</b></u>	<u><b>27,754</b></u>	<u><b>8,486,285</b></u>

The notes to the financial statements are an integral part of this statement.



Town of Manila  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
June 30, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
<b>Operating income:</b>				
Charges for services	\$ 343,189	180,117	54,787	578,092
Other operating income	<u>3,993</u>	<u>300</u>	<u>-</u>	<u>4,293</u>
<b>Total operating income</b>	<b><u>347,182</u></b>	<b><u>180,417</u></b>	<b><u>54,787</u></b>	<b><u>582,385</u></b>
<b>Operating expenses:</b>				
Personal services	71,986	35,840	47,744	155,570
Utilities	25,872	983	623	27,478
Repairs and maintenance	43,703	6,513	13,027	63,243
Other supplies and expenses	14,294	5,493	573	20,360
Insurance expense	2,476	2,476	1,238	6,189
Landfill closure accrual	-	-	1,456	1,456
Depreciation expense	<u>153,515</u>	<u>25,297</u>	<u>1,458</u>	<u>180,270</u>
<b>Total operating expense</b>	<b><u>311,846</u></b>	<b><u>76,601</u></b>	<b><u>66,119</u></b>	<b><u>454,566</u></b>
<b>Net operating income (loss)</b>	<b><u>35,336</u></b>	<b><u>103,816</u></b>	<b><u>(11,332)</u></b>	<b><u>127,820</u></b>
<b>Non-operating income (expense):</b>				
Interest income	21,549	11,322	363	33,234
Interest on long-term debt	<u>(37,054)</u>	<u>-</u>	<u>-</u>	<u>(37,054)</u>
<b>Total non-operating income (expense)</b>	<b><u>(15,505)</u></b>	<b><u>11,322</u></b>	<b><u>363</u></b>	<b><u>(3,820)</u></b>
<b>Income (loss) before contributions and transfers</b>	<b><u>19,831</u></b>	<b><u>115,137</u></b>	<b><u>(10,969)</u></b>	<b><u>123,999</u></b>
<b>Capital contributions:</b>				
Grants	74,000	600,000	-	674,000
Impact fees	28,230	6,045	-	34,275
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>(100,000)</u>
<b>Change in net assets</b>	<b><u>72,061</u></b>	<b><u>671,182</u></b>	<b><u>(10,969)</u></b>	<b><u>732,274</u></b>
<b>Net assets, beginning</b>	<b><u>3,221,014</u></b>	<b><u>865,189</u></b>	<b><u>14,958</u></b>	<b><u>4,101,161</u></b>
<b>Net assets, ending</b>	<b><u>\$3,293,075</u></b>	<b><u>1,536,372</u></b>	<b><u>3,989</u></b>	<b><u>4,833,435</u></b>

The notes to the financial statements are an integral part of this statement.

Town of Manila  
**STATEMENT OF CASH FLOWS**  
For the year ending June 30, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Cash received from customers - service	\$352,393	179,890	54,886	587,169
Cash paid to suppliers	(90,583)	(16,254)	(15,875)	(122,712)
Cash paid to employees	(71,986)	(35,840)	(47,744)	(155,570)
<b>Net cash provided (used) in operating activities</b>	<b><u>189,824</u></b>	<b><u>127,797</u></b>	<b><u>(8,734)</u></b>	<b><u>308,887</u></b>
<b>Cash flows from noncapital financing activities:</b>				
Change in customer deposits	26	-	-	26
Net interfund activity	8,000	(112,470)	4,470	(100,000)
<b>Net cash provided (used) in     noncapital financing activities</b>	<b><u>8,025</u></b>	<b><u>(112,470)</u></b>	<b><u>4,470</u></b>	<b><u>(99,975)</u></b>
<b>Cash flows from capital and     related financing activities:</b>				
Cash received from bond issues	74,000	-	-	74,000
Cash received from capital grants	74,000	600,000	-	674,000
Cash from impact fees	28,230	6,045	-	34,275
Cash payments for capital assets	(840,364)	(823,025)	-(1,663,388)	
Cash payments for long-term debt	(109,158)	(25,000)	-	(134,158)
Cash payments for long-term debt interest	(36,733)	-	-	(36,733)
<b>Net cash provided (used) in capital and     related financing activities</b>	<b><u>(810,025)</u></b>	<b><u>(241,980)</u></b>	<b><u>-</u></b>	<b><u>(1,052,004)</u></b>
<b>Cash flows from investing activities:</b>				
Cash received from interest earned	21,549	11,322	363	33,234
<b>Net cash provided (used) in investing activities</b>	<b><u>21,549</u></b>	<b><u>11,322</u></b>	<b><u>363</u></b>	<b><u>33,234</u></b>
<b>Net increase (decrease) in cash</b>	<b><u>(590,626)</u></b>	<b><u>(215,331)</u></b>	<b><u>(3,900)</u></b>	<b><u>(809,858)</u></b>
<b>Cash balance, beginning</b>	<b><u>955,241</u></b>	<b><u>383,974</u></b>	<b><u>18,665</u></b>	<b><u>1,357,880</u></b>
<b>Cash balance, ending</b>	<b><u>\$364,615</u></b>	<b><u>168,642</u></b>	<b><u>14,764</u></b>	<b><u>548,022</u></b>
<b>Cash reported on the balance sheet:</b>				
Cash and cash equivalents	\$ -	9,196	-	9,196
Non-current restricted cash	364,615	159,447	14,764	538,826
<b>Total cash and cash equivalents</b>	<b><u>\$364,615</u></b>	<b><u>168,642</u></b>	<b><u>14,764</u></b>	<b><u>548,022</u></b>

Continued on next page

The notes to the financial statements are an integral part of this statement.

Town of Manila  
**STATEMENT OF CASH FLOWS, continued**  
For the year ended June 30, 2006

**Reconciliation of Operating Income  
to Net Cash Provided from Operating Activity:**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
<b>Net operating income (expense)</b>	<b>\$35,336</b>	<b>103,816</b>	<b>(11,332)</b>	<b>127,820</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:				
Depreciation and amortization	153,515	25,297	1,458	180,270
Changes in assets and liabilities:				
(Increase) decrease in receivables	5,211	(526)	98	4,784
(Increase) decrease in inventory	-	-	-	-
(Increase) decrease in prepayments	42	-	-	42
Increase (decrease) in payables	<u>(4,280)</u>	<u>(790)</u>	<u>1,042</u>	<u>(4,028)</u>
<b>Net cash provided in operating activity</b>	<b><u>\$189,824</u></b>	<b><u>127,797</u></b>	<b><u>(8,734)</u></b>	<b><u>308,887</u></b>

The notes to the financial statements are an integral part of this statement.

Town of Manila  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1-A. Reporting entity**

Town of Manila, (the Town), a municipal corporation located in Daggett, Utah, operates under a Mayor-Council form of government. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable.

On June 30, 2005, the Town acquired the culinary water source and distribution facilities of the Daggett County Water District, which are primarily located and operated outside the boundaries of the Town.

The Town has no component units and is not a component unit of another entity.

**1-B. Government-wide and fund financial statements**

*Government-wide Financial Statements*

The government-wide financial statements, consisting of the statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Town of Manila  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-C. Measurement focus, basis of accounting and financial statement presentation**

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Town of Manila  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

*Policy regarding use of restricted resources*

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

**1-D. Fund types and major funds**

*Governmental funds*

**The Town reports the following major governmental fund:**

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**The Town reports the following as non-major governmental funds:**

The *capital project funds* account for capital projects and overhead that can be submitted to grantors for reimbursement.

*Proprietary funds*

**The Town reports the following major proprietary funds:**

The *water fund* is used to account for the activities of the culinary water distribution.

The *sewer fund* is used to account for the operations of the sewer system.

The *landfill fund* is used to account for the operations of solid waste disposal.

**1-E. Assets, Liabilities, and Net Assets or Equity**

**1-E-1. Deposit and Investments**

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the Town are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 2.

Town of Manila  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-2. Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**1-E-3. Receivables and Payables**

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to* or *due from other funds*.

Property taxes are assessed and collected for the Town by Daggett County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**1-E-4. Restricted Assets**

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash

**1-E-5. Inventories and Prepaid items**

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

Town of Manila  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-6. Capital Assets**

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings	40
Improvements	15
Water system	40
Sewer system	50
Infrastructure	25
Vehicles and equipment	5-10

**1-E-7. Long-term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.



Town of Manila  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-8. Fund Equity**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation of legally restricted for specified purposes. The General Fund reserve for restricted purposes includes fund balance/net assets resulting from Class C road allotments restricted for eligible road maintenance. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2-A. Budgetary data**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Under Utah State regulations for Towns, the maximum amount allowed in the General Fund may not exceed 75% of the total estimated revenues in the general fund.

Once adopted, the budget may be amended by the Town Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**2-B. Deficit fund net assets**

None of the Town's funds have deficit balances.

Town of Manila  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2006 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 140
Demand deposits - checking	316,582
Investments - PTIF	<u>353,213</u>
<b>Total cash and investments</b>	<b><u>\$669,935</u></b>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	\$131,109
Restricted cash and cash equivalents (non-current)	<u>538,826</u>
<b>Total cash and cash equivalents</b>	<b><u>\$669,935</u></b>

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. Maturities of investments in PTIF is less than one year and the balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The Town maintains monies not immediately needed for expenditure in PTIF accounts.

Town of Manila  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**3-A. Deposits and investments (continued)**

**Deposit and Investment Risk**

The Town maintains no investment policy containing any specific provisions intended to limit the Town's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The Town's compliance with the provisions of UMMA addresses each of these risks.

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the Town are available immediately.

**Credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the Town's demand and savings deposits are covered by FDIC insurance.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the Town's policy of investing excess monies only in PTIF.

**Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**3-B. Receivables**

The allowance policy is described in Note 1-E-3. Accounts not expected to be collected within one year are captioned as non-current receivables. Receivables as of year end for the Town's funds are shown below:

	General Fund	Water	Sewer	Landfill	Total
Property taxes	\$28,653	-	-	-	28,653
Due from other governments	14,293	-	-	-	14,293
Customers, current	6,238	50,068	10,266	5,971	72,541
Customers, non-current	-	25,276	-	-	25,276
Total receivables	49,183	75,344	10,266	5,971	140,763
Allowance for uncollectibles	-	(12,632)	(1,011)	(690)	(14,333)
Net receivables	<u>\$49,183</u>	<u>62,712</u>	<u>9,255</u>	<u>5,281</u>	<u>126,430</u>

Town of Manila  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**3-C. Capital Assets**

Capital asset activity for the governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and rights	\$ 2,005	-	-	2,005
<b>Total capital assets, not being depreciated</b>	<b><u>2,005</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,005</u></b>
Capital assets, being depreciated:				
Buildings	247,098	-	-	247,098
Improvements other than buildings	3,400	-	-	3,400
Machinery and equipment	163,833	1,774	-	165,607
Infrastructure	154,730	25,109	-	179,839
<b>Total capital assets, being depreciated</b>	<b><u>569,061</u></b>	<b><u>26,883</u></b>	<b><u>-</u></b>	<b><u>595,944</u></b>
Less accumulated depreciation for:				
Buildings	128,103	6,177	-	134,281
Improvements other than buildings	1,587	227	-	1,813
Machinery and equipment	133,309	7,779	-	141,089
Infrastructure	15,825	6,733	-	22,558
<b>Total accumulated depreciation</b>	<b><u>278,825</u></b>	<b><u>20,917</u></b>	<b><u>-</u></b>	<b><u>299,741</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>290,236</u></b>	<b><u>5,966</u></b>	<b><u>-</u></b>	<b><u>296,202</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$292,241</u></b>	<b><u>5,966</u></b>	<b><u>-</u></b>	<b><u>298,207</u></b>

Depreciation expense was charged to functions/programs of the primary government governmental activities as follows:

<b>Governmental Activities:</b>	
General government	\$ 5,685
Public safety - fire	2,356
Highways and public improvements	6,733
Seniors	6,143
<b>Total</b>	<b><u>\$20,917</u></b>

Town of Manila  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**3-C. Capital assets, continued**

Capital asset activity for business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and water shares	\$ 95,527	4,388	-	99,915
Construction in progress	<u>113,897</u>	<u>(113,897)</u>	-	-
<b>Total capital assets, not being depreciated</b>	<b><u>209,424</u></b>	<b><u>(109,510)</u></b>	<b>-</b>	<b><u>99,915</u></b>
Capital assets, being depreciated:				
Water system	5,983,125	1,076,802	-	7,059,926
Sewer system	1,248,511	873,288	-	2,121,799
Landfill	<u>20,851</u>	-	-	<u>20,851</u>
<b>Total capital assets being depreciated</b>	<b><u>7,252,487</u></b>	<b><u>1,950,089</u></b>	<b>-</b>	<b><u>9,202,576</u></b>
Less accumulated depreciation for:				
Water system	911,839	153,515	-	1,065,354
Sewer system	410,569	25,297	-	435,866
Landfill	<u>11,683</u>	<u>1,458</u>	-	<u>13,141</u>
<b>Total accumulated depreciation</b>	<b><u>1,334,091</u></b>	<b><u>180,270</u></b>	<b>-</b>	<b><u>1,514,362</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>5,918,395</u></b>	<b><u>1,769,819</u></b>	<b>-</b>	<b><u>7,688,214</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$6,127,819</u></b>	<b><u>1,660,309</u></b>	<b>-</b>	<b><u>7,788,129</u></b>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

<b>Business-Type Activities:</b>	
Water	\$153,515
Sewer	25,297
Landfill	<u>1,458</u>
<b>Total</b>	<b><u>\$180,270</u></b>

Town of Manila  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**3-D. Long-term debt**

Long-term debt activity for the year was as follows:

	Original Principal	% Rate	6/30/2005	Additions	Reductions	6/30/2006	Due Within One Year
<b>Water revenue bonds:</b>							
1970 subordinate matures 2007	\$ 25,000	5.00	\$ 1,544	-	800	744	744
1970 refunding matures 2010	135,000	5.00	30,000	-	6,000	24,000	6,000
1991 C CIB matures 2017	915,000	-	438,000	-	37,000	401,000	36,000
2001 RDA 91-06 matures 2041	300,000	4.50	287,350	-	3,338	284,013	3,491
2001 RDA 91-08 matures 2042	225,000	4.50	218,880	-	2,355	216,525	2,463
2003 RDA 03-11 matures 2043	160,000	4.25	157,630	-	1,666	155,965	1,738
2003A CIB matures 2028	240,000	2.50	233,000	-	7,000	226,000	8,000
2003B CIB matures 2028	240,000	-	231,000	-	9,000	222,000	9,000
2005 CIB matures 2035	1,275,000	-	1,275,000	-	42,000	1,233,000	42,000
2006 CIB matures 2021	74,000	-	-	74,000	-	74,000	5,000
<b>Total water fund</b>			<b><u>2,872,404</u></b>	<b><u>74,000</u></b>	<b><u>109,159</u></b>	<b><u>2,837,247</u></b>	<b><u>114,436</u></b>
<b>Sewer revenue bonds:</b>							
1989 CIB matures 2010	484,000	-	134,000	-	25,000	109,000	25,000
2005 CIB matures 2036	325,000	-	<u>325,000</u>	-	-	<u>325,000</u>	<u>11,000</u>
<b>Total sewer fund</b>			<b><u>459,000</u></b>	<b><u>-</u></b>	<b><u>25,000</u></b>	<b><u>434,000</u></b>	<b><u>36,000</u></b>
<b>Total long-term debt</b>			<b><u>\$3,331,404</u></b>	<b><u>74,000</u></b>	<b><u>134,159</u></b>	<b><u>3,271,247</u></b>	<b><u>150,436</u></b>

All bonds are revenue bonds secured by the revenues of the respective water or sewer systems. The new issue for \$74,000 was to assist in financing a bulldozer purchase. This new bond bears no interest.

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2007	\$ 150,436	35,885	186,320
2008	151,040	34,999	186,039
2009	150,405	34,134	184,539
2010	160,786	33,253	194,039
2011	120,185	32,354	152,539
2012-2016	617,325	153,582	770,907
2017-2021	490,809	132,985	623,794
2022-2026	458,155	110,164	568,319
2027-2031	439,563	82,756	522,319
2032-2036	350,045	55,399	405,444
2037-2041	152,496	23,642	176,138
2042-2043	<u>30,003</u>	<u>1,275</u>	<u>31,277</u>
	<b><u>\$3,271,247</u></b>	<b><u>730,427</u></b>	<b><u>4,001,674</u></b>

Town of Manila  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**NOTE 4 - OTHER INFORMATION**

**4-A. Risk management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The Town is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

**4-B. Employee pension and other benefit plans**

**Plan Description:**

The Town contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy:**

The Town is required to contribute a percent of covered salary to the following system: 13.58% to the Noncontributory System. The contribution rate is the actuarially determined rate and is approved by the Board as authorized by Chapter 49.

The Town's contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 for the Noncontributory System were, respectively, \$17,752, \$15,474, and \$13,373. The contributions were equal to the required contributions for each year.

**IRC Code Section 401k Plan:**

The Town participates in a 401k plan offered through the Utah State Retirement Systems. The Town's contribution for the year ended June 30, 2006, based on 2.54 % of eligible wages, amounted to \$3,447.

Town of Manila  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**NOTE 4 OTHER INFORMATION (continued)**

**4-C Landfill closure and postclosure costs**

The Town operates a landfill operation approved by the State of Utah as a Class II landfill. State regulations require that the Town place a final cover on its landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill sites, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfills no longer accept waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfills used during the year. The estimated liability for landfill closure and postclosure care costs is \$18,916 as of June 30, 2006, which is based on 76 percent usage (filled) of the landfill. It is estimated that an additional \$5,974 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfills are currently expected to be filled to capacity (the year 2013-15). The estimated total current cost of the landfill closure and postclosure care (\$24,890) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of June 30, 2006. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The Town has placed \$14,764 in a separate account for future closure and postclosure costs which is reported as restricted cash in the financial statements.



**REQUIRED SUPPLEMENTAL INFORMATION**  
**(Unaudited)**

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Town of Manila  
**Notes to Required Supplementary Information**  
June 30, 2006

**Budgetary Comparison Schedules**

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

**Budgeting and Budgetary Control**

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**Current Year Excess of Expenditures over Appropriations**

None of the General Fund departments exceeded budgeted appropriations for the year.

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Town of Manila  
**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -BUDGET AND ACTUAL-GENERAL FUND**  
 (Unaudited)  
 For the Year Ended June 30, 2006

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget Under (Over)
<b>Revenues</b>				
Taxes	\$ 84,000	80,600	76,038	4,562
Licenses and permits	15,600	10,100	8,596	1,504
Intergovernmental revenues	46,620	79,830	63,469	16,361
Charges for services	10,300	10,200	8,641	1,559
Interest	1,500	3,000	3,152	(152)
Miscellaneous revenue	<u>23,100</u>	<u>1,500</u>	<u>820</u>	<u>680</u>
<b>Total revenues</b>	<b><u>181,120</u></b>	<b><u>185,230</u></b>	<b><u>160,715</u></b>	<b><u>24,515</u></b>
<b>Expenditures</b>				
General government:				
Council	28,900	25,400	21,883	3,517
Administrative	127,680	145,800	122,820	22,980
Buildings	10,315	9,815	7,526	2,289
Planning and zoning	10,400	6,200	5,315	885
Public safety	40,280	35,600	23,617	11,983
Seniors	37,270	36,190	34,348	1,842
Highways and public improvements	<u>40,000</u>	<u>32,950</u>	<u>26,936</u>	<u>6,014</u>
<b>Total expenditures</b>	<b><u>294,845</u></b>	<b><u>291,955</u></b>	<b><u>242,444</u></b>	<b><u>49,511</u></b>
<b>Excess (Deficiency) of Revenues Over (Under Expenditures)</b>	<b><u>(113,725)</u></b>	<b><u>(106,725)</u></b>	<b><u>(81,728)</u></b>	<b><u>(24,997)</u></b>
<b>Other Financing Sources and (Uses)</b>				
Transfers in	100,000	100,000	100,000	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources and (uses)</b>	<b><u>100,000</u></b>	<b><u>100,000</u></b>	<b><u>100,000</u></b>	<b><u>-</u></b>
<b>Net Change in Fund Balances</b>	<b>\$ <u>(13,725)</u></b>	<b><u>(6,725)</u></b>	<b>18,272</b>	<b><u>(24,997)</u></b>
Fund balances - beginning of year			<u>104,318</u>	
<b>Fund Balances - end of year</b>			<b><u>\$122,590</u></b>	

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**SUPPLEMENTAL INFORMATION**

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### **Bond covenant related information**

Additional special information regarding the water system required by bond covenants of the Department of Water Resources follows:

1. The Town has generally carried out the requirements of the bonding resolution satisfactorily.
2. A general liability policy providing coverage in the amount of \$1,000,000 will be continuous until canceled. Workman's compensation is provided through the Utah Local Government's Trust.
3. Current year water service charge totals: Service \$334,314; connection, impact fees \$36,005.
4. Rates charged during the current year for water services:  
Residential in town: Minimum monthly \$24 for 12,000 gallons. Excess is \$1.75 per 1000 gallons.  
Residential outside: Minimum monthly \$34 for 12,000 gallons. Excess is \$2.13 per 1000 gallons.  
Commercial: Minimum monthly \$44 for 24,000 gallons. Excess is 1.75 per 1000 gallons.
5. Active water service connections at the close of the current year and the previous year, respectively, were:  
Residential 699 and 403 (297 residential customers were added from the County District on 7/1/2005).  
Commercial 39 and 42.

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**OTHER REPORTS**

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**AYCOCK, MILES & ASSOCIATES, CPAs, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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and  
UTAH ASSOCIATION  
OF CERTIFIED PUBLIC ACCOUNTANTS

**Report on Compliance and on Internal Control over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

Town Council  
Manila, Utah

We have audited the financial statements of the Town of Manila as of and for the year ended June 30, 2006, and have issued our report thereon dated January 9, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**—As part of obtaining reasonable assurance about whether Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards. This finding is located in the following Utah State Compliance Report.

**Internal Control Over Financial Reporting**—In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Two reportable conditions are described in the management letter following this report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described in the management letter are material weaknesses.

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Aycock, Miles & Associates**

January 9, 2007



**AYCOCK, MILES & ASSOCIATES, CPAs, P.C.**

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and  
UTAH ASSOCIATION  
OF CERTIFIED PUBLIC ACCOUNTANTS

### **Utah State Compliance Report**

Town Council  
Town of Manila  
Manila, Utah

We have audited the general purpose financial statements of the Town of Manila, Utah, for the year ended June 30, 2006, and have issued our report thereon dated January 9, 2007. Our audit included test work on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Purchasing Requirements  
Property Tax

Cash Management  
Budgetary Compliance  
Other Compliance Requirements

As part of our audit, we have audited Town's compliance with the requirements governing types of services allowed or disallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the *State of Utah's Legal Compliance Audit Guide* for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

Community Impact Board

The management of Town of Manila is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed one instance of noncompliance. Please refer to finding 2006-1 in the following management letter.

In our opinion, the Town of Manila, Utah, complied, in all material respects, with the general and major compliance requirements identified above for the year ended June 30, 2006.

**Aycock, Miles & Associates**

January 9, 2007

## **Reportable Conditions and Recommendations**

### **2006-1 Compliance Finding**

Financial statements were submitted past the 6 month deadline required by Utah State Law.

#### **Criteria**

Year-end June 30 reports are required to be submitted by December 31.

#### **Effect**

Late reporting.

#### **Recommendation**

We recommend that the financial statements be prepared earlier so that the appropriate reports can be submitted in a timely manner.

#### **Town Response**

The Town will make additional effort to report in a timely manner.

### **2006-2 Reportable Condition**

Customer adjustment register (OCC register) not reviewed by management on a regular basis.

#### **Criteria**

Non cash adjustments can be made to customer accounts receivable balances.

#### **Effect**

Revenues could be understated.

#### **Recommendation**

We recommend that the OCC register be reviewed monthly, initialed and filed. Review should verify reasonableness of account changes, etc.

#### **Town Response**

The Town management will review and initial the OCC register each month. We will review this register for any unusual or inappropriate account adjustments.

### **2006-3 Reportable Condition**

PTIF statements are not reviewed and signed monthly.

#### **Criteria**

In addition to the checking account bank statements, the PTIF statements should also be reviewed.

#### **Effect**

Transactions may be recorded incorrectly without a monthly review.

#### **Recommendation**

We recommend that the PTIF statements be reviewed and that the statement balances be compared to the general ledger on a monthly basis.

#### **Town Response**

The Town management will review and initial the monthly PTIF statements.